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# Indian Textile Industry: Sea of Potential Opportunities

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## REVIEW ARTICLE

### Abstract

India's share of the global textile industry is expected to grow from 4% to 7% by 2011-12 and the share of apparel in the export basket is expected to increase from 48% to 60%. A Vision 2010 for textiles formulated by the government after exhaustive interaction with the industry and Export Promotion Councils to capitalize on the positive atmosphere aims to increase India's share in world's textile trade from the current 4% to 8% by 2010 and to achieve export value of US \$ 50 billion in 2010. All segments have their own place but even today cotton textiles continue to dominate with 73% share. These technical textiles are an emerging industry with a potential to reach a size of US \$ 127 billion in 2010 and hold a great promise for Indian textiles industry. To understand India's position among other textile producing the industry contributes 9% of GDP and 35% of foreign exchange earnings, India's share in global exports is only 3% compared to China's 13.75% percent. Majority of Indian consumers look for definite universal parameters like design, quality and above all merchandizing. Innovation in product design and fabric selection, are vital elements that add to value perception for a product. As per a World Bank study, covering 181 economies, India's ranking has enhanced marginally in 2009, on various indicators of charisma as a business destination. However, in absolute terms the ranking remains quite low. Significantly, India is ranked a respectable 33 on the limit of protecting the interests of the investors. The EXIM policy provides for the establishment of export processing zones (EPZs) and special economic zones (SEZs). Units in the EPZs that export all of their output can import industrial inputs free of customs duty. Looking at export shares, Korea (6%) and Taiwan (5.5%) are ahead of India, while Turkey (2.9%) has already caught up and others like Thailand (2.3%) and Indonesia (2%) are not much further behind.

**Keywords:** Textile Industry, India, Strength, Competitors, Potential opportunities.

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## **Introduction**

India's share of the global textile industry is predictable to grow from 4% to 7% by 2011-12 and the share of apparel in the export basket is anticipated to increase from 48% to 60%. India has a large fiber base, and ranks as the world's third-leading producer of cotton, accounting for 15 percent of the world's cotton crop. India produces an extensive variety of cotton, providing operational flexibility for domestic textile producers. In the manmade fiber sector, India is the world's fifth-largest producer of polyester fibers and filament yarns and the third-largest producer of cellulosic fibers and filament yarns. India is the world's second-largest textile manufacturer (after China), and is diversified and capable of producing a wide variety of textiles. The spinning segment is moderately modernized and competitive, accounting for about 20 percent of world cotton yarn exports. India's textile industry depends profoundly on domestically produced cotton. Almost two-thirds of domestic cotton production is rain fed, which results in wide weather-related fluctuations in cotton production. Moreover, the contamination level of Indian cotton is among the highest in the world.

## **Recent Trends**

The Indian textile industry specified the phase-out of the quota system of the Multi-Fiber Arrangement (MFA) is upbeat with new investment flowing in and increased orders for the industry as a result of which capacities are fully booked up to April 2005. As a result of a mixture of initiatives taken by the government, there has been new investment of Rs.500 billion in the textile industry in the last five years. Nine textile majors invested Rs.26 billion and plan to invest another Rs.64 billion. Further, India's cotton production increased by 57% over the last five years; and 3 million additional spindles and 30,000 shuttle-less looms were installed. The industry expects investment of Rs.1,400 billion in this sector in the post-MFA phase. A Vision 2010 for textiles formulated by the government after concentrated interaction with the industry and Export Promotion Councils to capitalise on the upbeat mood aims to increase India's share in world's textile trade from the current 4% to 8% by 2010 and to achieve export value of US \$ 50 billion in 2010. Vision 2010 for textiles envisages increase in Indian textile economy from the current US \$ 37 billion to \$ 85 billion by 2010; formation of 12 million new jobs in the textile sector; and modernization and consolidation for creating a globally competitive textile industry. A new trend in recent years has been the advent in India of expatriate and western designers (from France, Italy, UK) who are beginning to form joint ventures with Indian designers to cater to the domestic and export markets. Italian companies are investing in capacity expansion and striking manufacturing, distribution and franchising deals with India Inc. Carrera is to invest US\$ 252.7 million in textile projects in India.

## **Textile Exports**

The Indian textile industry contributes significantly to India's export earnings. The export basket consists of wide variety of items containing cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups and range of garments. India's textile products, with handlooms and handicrafts, are exported to more than hundred countries. However, USA, EU Member States, Canada, U.A.E., Japan, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, etc are the major importers of our textile goods. Throughout the year 2005-06, the share of textiles exports with handicrafts, jute, and coir in India's total exports was 16.63%. India's textiles exports have registered well-built growth in the post quota period. Textiles exports grew from US\$ 14.03 billion in 2004-05 to US\$ 17.08 billion in 2005-06, soundtrack a growth of 21.8 per cent.

### **Structure of India's Textile Industry**

The textile sector in India is one of the worlds largest. The textile industry today is divided into three segments:

1. Cotton Textiles
2. Synthetic Textiles
3. Other like Wool, Jute, Silk etc.

All segments have their own place but even today cotton textiles continue to dominate with 73% share. The structure of cotton textile industry is very complex with co-existence of oldest technologies of hand spinning and hand weaving with the most sophisticated automatic spindles and loom. The structure of the textile industry is enormously complex with the modern, sophisticated and highly mechanized mill sector on the one hand and hand spinning and hand weaving (handloom sector) on the other in between falls the decentralised small scale powerloom sector.

### **The following are some of the other most important textile companies:**

- Bombay Dyeing Ltd. (Composite and fully integrated)
- Welspun India (Manufactures terry towels)
- Oswal Knit India (Woolen Wear)
- Sharda Textile Mills (Man-made Fiber)
- Mafatlal Textiles (Fully integrated Composite Mill)
- LNJ Bhilwara Group (Diversified and vertically incorporated denim producer with spinning and weaving capacity)
- Alok Textiles (Cotton and Man-made Fiber Textiles)
- Indian Rayon (Man-Made Fiber)
- BSL Ltd. (Textiles)
- Century Textiles (Composite mill, cotton & Man-made)
- Morarjee Mills (Fully integrated Composite Mill)
- Hanil Era Textiles (Yarn, Cotton & Man-made Fiber)
- Filaments India Ltd. (Manmade Textiles)

**Localization of the Industry:**

Northern India: Jaipur, Jodhpur (Rajasthan), Ludhiana (Punjab), Delhi, Kanpur (U.P.)

Western India: Solapur (Maharashtra)

South India: Bangalore (Karnataka), Coimbatore, Erode, Salem and Tiruchirapalli (Tamil Nadu)

**Opportunities in the Indian Textile Industry:**

The textile industry is undergoing a most important reorientation towards non-clothing applications of textiles, known as technical textiles like thermal protection and blood-absorbing materials; seatbelts; adhesive tape, and multiple other specialized products and applications. These technical textiles are an emerging industry with a potential to reach a size of US \$ 127 billion in 2010 and hold a great promise for Indian textiles industry.

**Role of Textile Industry in India GDP**

The worldwide trade of textiles and clothing has enhanced up the GDP of India to a huge scope as this sector has brought in a huge amount of revenue in the country. In the past one year, there has been a massive increase in the textile industry of India. The industry size has extended from USD 37 billion in 2004-05 to USD 49 billion in 2006-07. During this era, the local market witnessed a expansion of USD 7 billion, that is, from USD 23 billion to USD 30 billion. The export market improved from USD 14 billion to USD 19 billion in the same period. The textile industry is one of the important sectors in the Indian economy as it contributes approximately 14 percent to the total industrial production. The textile industry in India is claimed to be the major revenue earners in terms of foreign exchange among all other industrial sectors in India. This industry provides shortest employment to around 35 million people, which has made it one of the most beneficial industrial sectors in the country.

**Some of the important benefits offered by the Indian textile industry are as follows:**

- India covers 61 percent of the international textile market worldwide.
- India covers 22 percent of the global market.
- India is known to be the third major manufacturer of cotton across the world.
- India claims to be the second major manufacturer as well as supplier of cotton yarn and textiles in the world.
- India holds approximately 25 percent share in the cotton yarn industry across the world.
- India contributes to about 12 percent of the world's production of cotton yarn and textiles in the world.

The Role of Textile Industry in India GDP had been undergoing a reasonable increase till the year 2004 to 2005. But ever since, 2005-06, Indian textiles industry has been witnessing a healthy enlargement and reached almost USD 17 billion during the same period from USD 14 billion in 2004-05. At present, Indian textile industry holds 3.5 to 4 percent share in the total textile production transversely the globe and 3 percent share in the export production of clothing. The expansion in textile production is predicted to touch USD 19.62 billion through 2006-07.

USA is known to be the major purchaser of Indian textile.

**Following are the statistics designed as per the input of the sectors in Textile industry in India GDP:**

- India holds 22 percent share in the textile market in Europe and 43 percent share in the attire market of the country. USA holds 10 percent and 32.6 percent shares in Indian textiles and apparel.
- Few other worldwide countries apart from USA and Europe, where India has a marked presence include UAE, Saudi Arabia, Canada, Bangladesh, China, Turkey and Japan.
- Readymade garments accounts for 45 percent share holding in the total textile exports and 8.2 percent in export manufacture of India.
- Export production of carpets has witnessed a main growth of 42.23 percent, which apparently stands at USD 654.32 million during 2004-05 to USD 930.69 million in the year 2006-07. India holds 36 percent share in the global textile market as has been estimated during April-October 2007.
- The technical textiles market in India is assumed to touch USD 10.63 billion by 2007-08 from USD 5.09 billion during 2005-06, which is around double. It is also assumed to touch USD 19.76 billion by the year 2014-15 .
- By 2010, India is predictable to double its share in the international technical textile market .
- The entire sector of technical textiles is predictable to reach USD 29 billion during 2005-2010.

The Role of Textile Industry in India GDP also includes a climb in the investment flow together in the domestic market and the export production of textiles. The investment range in the Indian textile industry has enlarged from USD 2.94 billion to USD 7.85 billion within three years, from 2004 to 2007. It has been understood that by the year 2012, the investment ratio in textile industry is a good number to touch USD 38.14 billion.

**Favorable demand conditions in Textile Industry**

Demographic trends in India are varying, with raise in disposable income levels, consumer awareness and tendency to spend. According to NCAER data, the Consuming Class, with an yearly income of US\$ 980 or above, is rising and is expected to represent over 80 per cent of the population by 2009-10. There is a vary in the consumer mindset that has led to a tendency of enlarged consumption on personal care and lifestyle products as well as branded products. These trends offer huge growth opportunities for companies across a variety of sectors, with textiles. Supporting the growing demand for utilization is the revolution taking place in India's retail sector. Organized retail is playing a vital responsibility in structuring the Indian domestic market, unbreakable by the rapid increase of supermarkets, malls, theme stores and franchises across urban India. India thus presents a large and energetic market for textiles and apparels, with a potential for constant growth.

### India's Vision on Textiles

- Textile economy to grow to \$ 85 bn.
- Creation of 12 million new jobs in Textile Sector.
- To increase India's share in world trade to 6%.
- Achieve export value of \$ 40 Billion.
- innovation and consolidation for creating a globally viable industry.

### India's major competitors in the world

To understand India's position among other textile producing the industry contributes 9% of GDP and 35% of foreign exchange earning, India's share in global exports is only 3% compared to China's 13.75% percent. In addition to China, other developing countries are emerging as serious competitive threats to India. Looking at export shares, Korea (6%) and Taiwan (5.5%) are ahead of India, while Turkey (2.9%) has already caught up and others like Thailand (2.3%) and Indonesia (2%) are not much further behind. The reason for this development is the fact that India lags behind these countries in investment levels, technology, quality and logistics. If India were competitive in some key segments it could serve as a basis for building a modern industry, but there is no evidence of such signs, except to some extent in the spinning industry.

### Assessment Market Potential in India

The overall estimate of demand and market potential in various sub-sectors, projected on the basis of past growth trends and industry expectations, is summarized in the table below. The total market is expected to increase from Euros 21.7 billion in 2008-09 to Euro 29.4 billion by 2011-12, with overall compounded annual growth of 7.89%.

Assessment of Market Potential	2008-09	2009-10	2010-11	2011-12
Textile Clothing & Garments	20,219	22,342	24,688	27,280
Undergarments	1,487	1,673	1,882	2,117
Home Textile Furnishings	2.16	2.48	2.81	3.23
Accessories	0.29	0.34	0.39	0.45
Total	21,708.45	24,017.82	26,573.20	29,400.68

The above estimate for home textile furnishings have been computed taking the overall average annual growth rates of domestic urban market (considered relevant for the foreign brands) as 15% for bath linen, 10% for kitchen linen, 12% for curtains, 15% for upholstery and 10% for other products.

#### Textile Market Structure and Segmentation

##### Textile Apparels and Clothing:

Segmentation / category: Men's wear, Women's wear, Unisex apparel, Kids' wear

Segmentation: Formal, Casual, Traditional, Active sportswear, Uniforms

Segmentation / Price: Super premium, Premium, Medium, Economy and Low end

<b>Undergarments:</b> Segmentation / types of Suppliers: Informal/Unorganized sector, Organized sector Segmentation / Price: Super premium, Premium, Medium, Economy and Low end
<b>Home Textile Furnishings</b> Segmentation / types of Suppliers: Informal/Unorganized sector (70% share), Organized sector (30% share) ; Branded and Unbranded Segmentation / Use: Bed linens, Curtains & Upholstery, Bath linen. Kitchen linen etc. Segmentation / Price: Super premium, Premium, Medium, Economy and Low end
<b>Accessories:</b> Segmentation / Use: Apparel accessories (scarves, stoles, shawls etc.), Hard accessories (bags, belts etc.), Packaging for jewellery, time wear, eye wear etc. Segmentation / Price: Super premium, Premium, Medium, Economy and Low end

### Preferences of Textile Brands

Brand building is a amazing task which involves high investment on production infrastructure, technology up-gradation and huge merchandizing. This has inspired lesser known medium sized players who are trying to create their products in the market through creation of brands. There is a strong signal that Indian market will have large a number of brands in near future in view of market expansion and increasing competition. Preference for exacting apparel brands depends on individual tastes and preferences. A greater part of Indian consumers look for certain universal parameters like design, quality and above all merchandizing. Innovation in product design and fabric selection, are necessary elements that add to value perception for a product. Sales discounts also tend to sway the purchase decisions of consumers provided the least parameters/ features are not compromised with.

### Some popular brands in the Indian Market

	Indian	International
Textile Apparel & Clothing	Raymond's (Park Avenue, Oaex, Colour Plus), S Kumar's, Aravind	Monzoni, Van Heusen, Allen Solly, Benetton, Levi Strauss, Reid & Tayloy, FCUK, Calvin Klein, Tommy Hilfiger, LeeCooper, Exprit
Undergarments	VIP, Lux, Rupa, Softline, Juliet, Body Care	Triump, Sloggie, La Mode, Enamor, Jockey
Home Textile Furnishings	Bombay Dyeing, Raymonds, Welspun, Masper, Orient Craft, Abhishek	Portico, Rosebys, Paradies, Lvy, Fern
Accessories	HiDesign, Baggit	Allen Solly, Bulchee, Jane Shilton, Tommy Higier, Espirit, Diesel

### Export Processing and Special Economic Zones

The EXIM policy provides for the establishment of export processing zones (EPZs) and special economic zones (SEZs). Units in the EPZs that export all of their output can import industrial inputs free of customs duty. A 5-year tax holiday is allowed to any industrial unit in a EPZ and all profits of 100-percent EOUs are exempted from income tax. 66 Units that are not considered 100-percent EOUs receive tax exemptions only on their export earnings. To attract investment,



the GOI allows 100-percent foreign ownership of units in the EPZs as well as the SEZs. The SEZs were created recently, with the conversion of four EPZs into SEZs. The GOI treats SEZs as foreign territory for trade and tariff purposes. Units in SEZs may engage in manufacturing, trading, and services; are exempt from routine examination of exports by customs; and can sell in the domestic market on payment of duty as applicable to imported goods.

### **Foreign collaborations**

Foreign companies have been attracted to Indian market for two major considerations. First, the market size is one the largest in the world. The consuming class in the finest and super premium segment is increasing significantly over the years and this has grow to be major focus of interest for foreign players. Secondly, foreign companies use India as a low cost production base for third country exports. As per a World Bank study, covering 181 economies, India's ranking has enhanced marginally in 2009, on various indicators of pleasurable appearance as a business destination. However, in absolute terms the ranking remains quite low. Significantly, India is ranked a respectable 33 on the restriction of protecting the interests of the investors.

India has the benefit of producing a wide multiplicity of natural and man-made fibers, including cotton, jute, silk, wool, polyester, polyamide, acrylic and viscose. It has the capacity to transform these fibers into finished value added textile products from beginning to end ginning, reeling, spinning, weaving, dyeing, printing, finishing and garment manufacturing facilities. India has also made major expansion in the manufacture of textile machinery and the production of textile dyes and chemicals. The next figure shows the India's export report from 2004 – 2009.

<b>India: Exports of Textiles and Clothing to the European Union (2004-2009)</b>						
<b>(€m)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Yarn</b>	406.7	407.3	492.7	507.7	432.0	169.6
<b>Fabric</b>	467.	457.20	477.0	457.0	430.1	167.5
<b>Made-ups</b>	1,037.1	1,116.5	1,175.1	1,304.6	1,230.0	552.8
<b>Garments</b>	2,471.7	3,224.0	3,797.7	3,823.4	3,884.5	2,344.6
<b>Total</b>	4,382.4	5,204.9	5,942.5	6,092.8	5,976.6	3,234.4

### **Conclusion**

India is the second prime textile industry in the world after China. India is the world's fourth - largest financial system, the third - largest in Asia and the second largest among promising nations. The Indian market reflects significant diversity in income levels and lifestyles. India's per-capita GDP is one of the lowest between the developing countries, a significant division of the population has extensively higher income. The Indian Textile Industry has a huge presence in the economic life of the country. Apart from providing one of the essential necessities of life i.e. cloth, the textile industry contributes on 14% to the country's industrial output and about 17% to export income. After agriculture this industry provides employment to greatest number of people in India employing 35 million people.

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